VZCZCXRO0799
OO RUEHAG RUEHAST RUEHDA RUEHDF RUEHFL RUEHIK RUEHKW RUEHLA RUEHLN
RUEHLZ RUEHNP RUEHPOD RUEHROV RUEHSR RUEHVK RUEHYG
DE RUEHSK #0260 3541234
ZNR UUUUU ZZH
O R 191234Z DEC 08
FM AMEMBASSY MINSK
TO RUEHC/SECSTATE WASHDC IMMEDIATE 0026
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE
RUEATRS/DEPT OF TREASURY WASHINGTON DC
RUEHSK/AMEMBASSY MINSK 0027

UNCLAS MINSK 000260

SENSITIVE
SIPDIS

E.O. 12958: N/A
TAGS: EFIN ECON PREL BO
SUBJECT: BELARUS: REGIME AGREES TO IMF TERMS, BUT WANTS

REF: A) VILNIUS 1007, B) MINSK 258

¶1. (SBU) IMF mission member Neven Mates reported to Charge December 19 that the GOB had agreed to the IMF's conditions (detailed ref A) but wants USD 3 billion whereas IMF headquarters were telling the IMF mission now in Minsk that more than USD 2 billion would be difficult to achieve.

¶2. (SBU) Meeting with Charge Mates December 18, Mates had noted that although National Bank chair Pyotr Prokopovich has been holding out for a better deal, Finance Minister Andrey Kharkovets was more comfortable with the IMF's terms which remain primarily 1) a 20-25 percent devaluation of the Belarusian ruble (BYR; the anticipated exchange rate would be around BYR 2,550:USD 1) and 2) cuts in the GOB's budget. Mates also anticipated that the National Bank would curtail the money supply to state-owned banks that fund GOB projects.

¶3. (SBU) Mates also told Charge December 18 that the GOB had raised their request for money to USD 4 billion from USD 2 billion; Mates opined that IMF in Washington would support USD 3 billion but not more at this time. The funds would be provided in five tranches: USD 800 million in January and USD 550 million in April, July, October, and December 2009. Mates said that separate GOB discussions with the World Bank and EU would not likely result in much more than USD 200 million coming from each.

Comment

¶4. (SBU) In post's opinion, a successful agreement between Belarus and the IMF -- at the USD 3 billion level, still a smaller percentage of quota than received by Hungary or Ukraine -- is good for the USG as it advances U.S. interests. If issues cannot be resolved with the IMF, the GOB will likely turn to Russia and be forced to accept whatever terms Moscow would set, to almost certainly include a much wider Russian presence in the economy (which any future Belarusian government would be very challenged to displace). In that scenario, it would also be easier for the regime to blame the unkind and merciless "West" for their problems. The IMF loan is not in itself enough to sustain the regime indefinitely, but ought to still allow a more graduated decline while avoiding the sort of wider economic collapse and/or excessive dependence on Russia that would damage the eventual prospects for a democratic Belarus. Furthermore, even with an IMF loan, the effects of the global economic crisis are going to be deeply felt by the populace and the GOB is going to be faced with wide and angry public criticism.

MOORE